

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE DECEMBER 16, 2020 PENSION BOARD MEETING**

1. Call to Order

The Chair called the meeting to order at 8:32 a.m. The meeting was held virtually due to Milwaukee County's and the City of Milwaukee's Stay Safe MKE initiative limiting gatherings in light of the COVID-19 pandemic.

2. Roll Call

Members Present

Fernando Aniban
Nicole Best
Laurie Braun (Vice Chair)
Jeffrey Gollner
LaValle Morgan
Ronald Nelson
Himanshu Parikh
David Robles (Chair)

Members Excused

Elena LaMendola

Others Present

Erika Bronikowski, Director - Retirement Plan Services
Tina Lausier, Fiscal Officer - Retirement Plan Services
Abbey Moreno, Information Systems Manager – Retirement Plan Services
Natasha Ford, Retirement Plan Services
CJ Pahl, Financial Services Manager – Office of the Comptroller
Jennifer Folliard, Director of Audits
Megan Rogers, Director of Risk Management
Judd Taback, Assistant Corporation Counsel
Rachel Preston, Paralegal - Office of Corporation Counsel
Daniel Laurila, Operating Budget Manager - Milwaukee County
Jessica Culotti, Reinhart Boerner Van Deuren s.c.
Brett Christenson, Marquette Associates, Inc.
Christopher Caparelli, Marquette Associates, Inc.
Nick Schaffran, Aon
Ken Anderson, Aon
Lauren Albanese, Financial Investment News

3. Chairperson's Report

The Chair began the meeting by welcoming Nicole Best, who is a newly appointed Trustee to the Pension Board. The Chair noted that Ms. Best's first meeting was technically in November, and he meant to welcome her at that

meeting. The Chair explained Ms. Best has excellent credentials and works at Heartland Advisors as its Chief Financial Officer and Chief Administrative Officer. Ms. Best is a CPA and has extensive non-profit board experience as well as experience auditing retirement plans. The Chair stated she is a welcome addition to the Board, and he thanked her for agreeing to be part of the Board and looks forward to her insight and expertise.

The Chair then explained he would like to ask the Board to pass two resolutions in recognition of the service of two former Pension Board members, Michael Harper and Linda Bedford. The Chair stated the resolutions would be reflected in letters that would be delivered to Mr. Harper and Ms. Bedford on behalf of the Pension Board.

The proposed resolution for Mr. Harper states:

WHEREAS, Trustee Michael S. Harper has served the community, the employees, and retirees of Milwaukee County as a Trustee and Chairperson of the Milwaukee County Pension Board from October 1, 2015 to July 18, 2020;

WHEREAS, Chairperson Michael S. Harper has provided outstanding service, leadership and dedication to the citizens of Milwaukee County with his service, time, effort and expertise;

WHEREAS, his service and expertise lead to accomplishments that are invaluable to the Milwaukee County Employees' Retirement System;

BE IT RESOLVED, that this on this 16th day of December, 2020, the Milwaukee County Pension Board does hereby express the gratitude of the Milwaukee County Pension Board to Chairperson Michael S. Harper for his commitment to the Milwaukee County Employees' Retirement System through his dedicated service on the Pension Board and for diligently representing the interests of Milwaukee County employees, retirees, and citizens.

For Ms. Bedford, the proposed resolution states:

WHEREAS, Trustee Linda S. Bedford has served the community, the employees, and retirees of Milwaukee County as a Trustee of the Milwaukee County Pension Board from April 19, 2003 to March 31, 2012 and from October 1, 2015 to September 10, 2020;

WHEREAS, Trustee Linda S. Bedford has provided outstanding service, leadership and dedication to the citizens of Milwaukee County with her service, time, effort and expertise;

WHEREAS, her service and expertise lead to accomplishments that are invaluable to the Milwaukee County Employees' Retirement System;

BE IT RESOLVED, that this on this 16th day of December, 2020, the Milwaukee County Pension Board does hereby express the gratitude of the Milwaukee County Pension Board to Trustee Linda S. Bedford for her commitment to the Milwaukee County Employees' Retirement System through her dedicated service on the Pension Board and for diligently representing the interests of Milwaukee County employees, retirees, and citizens.

The Pension Board unanimously voted to adopt the resolutions thanking Mr. Harper and Ms. Bedford for their service to the Pension Board. Motion by Mr. Aniban, seconded by Mr. Parikh.

4. Minutes

(a) Meeting Minutes – November 18, 2020

The Chair asked if there was any discussion regarding the November 18, 2020 Pension Board meeting minutes, which were distributed as part of the materials. Seeing none, the Chair asked for a motion to approve the minutes.

The Pension Board unanimously voted to approve the minutes of the November 18, 2020 Pension Board meeting. Motion by Mr. Gollner, seconded by Ms. Best.

5. Investment Report

(a) Monthly Update

The Chair welcomed Mr. Caparelli and Mr. Christenson from Marquette Associates and asked them to present their report. Mr. Caparelli started by reviewing the market tracker. He stated November was a very good month for most assets classes, and as a result, 2020 may end with decent returns. Mr. Caparelli explained there are still two weeks left in the year, but the returns are looking good, especially considering the S&P 500 was down 35% in March. Mr. Caparelli stated that the S&P 500 was up 10.9% in the month of November, which brings the year-to-date return for U.S. Equity to 14%. Mr. Caparelli noted most of the year-to-date returns came in the month of November. He explained November was an active month with the election and the release of

the vaccine trial results. With the vaccines starting to ship, there is a lot of optimism about reopening, hopefully by the middle of 2021. This optimism has lifted a number of stocks around the world.

Mr. Caparelli then stated that as the Board previously discussed, this year has been strange from a style dispersion standpoint. He explained growth has been on a historic run over the last few years and even more so this year. However, this phenomenon has started to turn in November and December. In looking at the November numbers, value has started to pull ahead, and this has continued into December. Given this trend, Mr. Caparelli stated some analysts are saying 2021 will be a good year for value stocks. He explained as the economy reopens, there is likely to be better fundamental economic growth, which could certainly lift value stocks and start to balance out the previous dispersion. Mr. Caparelli further explained that over the last couple of months, Small Cap has pulled ahead. Small Cap was up almost 19% in November, while Large Cap was only up around 12%. Small Cap Value was showing even stronger returns, up almost 20% for the month. Mr. Caparelli stated that outside the U.S. there is a similar story with the EFA Index up 15.5% in November. Mr. Caparelli explained EFA includes Europe, Australia, and the Far East, which is basically the developed world outside the U.S. He noted that year-to-date, there is still a significant dispersion between the U.S. and non-U.S. market with the EFA Index up only 3% year-to-date. Mr. Caparelli clarified that the emerging market world has fared better, up almost 10.5% on a year-to-date basis with a strong month in November. He explained that the biggest difference between the developed index and the emerging index is the presence of the Chinese market. The Chinese market has been one of the strongest across the globe this year because they were the first to enter the COVID crisis, and the first to make progress on exiting the crisis.

Mr. Caparelli then stated International returns have been good this year, but have lagged the U.S. Fixed Income has been one of the better performing asset classes in 2020, with year-to-date returns up 7.4%. Mr. Caparelli noted that it is unlikely those returns will continue going forward. He explained that interest rates have come down about as far as they can go, and Fixed Income returns have started to flatten out with December being a slightly negative month for Fixed Income.

Overall, Mr. Caparelli stated November was a very strong month, and December looks like it will be a good month as well. Mr. Caparelli called for questions and seeing none stated that Mr. Christenson would review the Flash Report.

Mr. Christenson started by reviewing the ERS Fund performance. He stated the Fund is a little under \$1.7 billion. The preliminary November returns are approximately 5.9%, which brings the year-to-date up to approximately 4.7%. Mr. Christenson stated the Fund is likely closer to 6% as of today because December has been a strong month for the markets. Mr. Christenson explained

November was a strong month for bonds, up almost 2%, for a year-to-date of 7.3%. He noted the Fund's U.S. Equity portfolio outperformed the benchmark 13.5% to 12%. Mr. Christenson stated this is a function of the value stocks coming alive. International was down compared to the benchmark, 12.7% to 13.5%. Hedged Equity has been a good addition to the Portfolio to keep volatility low, and it is up 5.8% year-to-date. Real Estate is flat, which was expected, and it is likely Real Estate will be slightly negative this year. Infrastructure has only had a little movement due to IFM's reporting. Mr. Christenson stated that it is helpful to look at the long-term returns to gain a sense of how the Fund is doing. As of November 30, the total Fund is at 7.8% net of fees for the 10-year returns and 7.9% for the 5-year returns.

Mr. Christenson continued by reviewing the individual Fund managers. He stated Galliard in Fixed Income continued to perform well. Mr. Christenson noted Emerging Market Debt and TCW also did well in November. He explained that this year has seen two primary trends. The first is a stay-at-home trend that is focused on technology. The second, more recent, trend is the reopening trend where some previously disfavored areas have come back into favor. Emerging Market Debt is one of those areas. Mr. Christenson noted this trend seems to be continuing into December.

Moving on to U.S. Equity, Mr. Christenson stated Boston Partners had a nice month and is close to the benchmark year-to-date. He noted that Boston Partners has been an excellent long-term partner for ERS in looking at the 10-year returns, despite the 5- and 7-year lags behind the benchmark. Mr. Christenson stated Silvercrest has also done well. He noted Silvercrest is different than Boston Partners in that, short-term, Silvercrest is a bit behind the benchmark, which was up 19.3% for November, but Silvercrest's long-term record is much better.

With regard to International Equity, Mr. Christenson stated that ERS has exposure to the NTGI ACWI Ex-US IMI index, which covers the full international market. He stated ERS also has allocations in two Small Cap managers, Segall Bryant and QMA. Mr. Christenson stated that the Board has discussed Segall Bryant at length and will be reviewing their performance again at the beginning of 2021. Mr. Christenson explained that Segall Bryant is outperforming in December, but it is not a significant outperformance. He noted QMA is struggling a bit, so the Investment Committee will keep a close watch on those returns.

Moving to the alternatives, Mr. Christenson stated that ERS has exposure to Hedged Equity with ABS, up 9.3% year-to-date. Mr. Christenson explained that ABS balances out well with Parametric. While there are some years Parametric performs better, this year, ABS has performed better. In Infrastructure, IFM has a positive return for November, which is nice change from the flat year-to-date returns. Mr. Christenson stated JP Morgan's returns

lag, so the returns are not up-to-date. Mr. Christenson noted he expects both managers to be positive by the end of the year.

Mr. Christenson continued by discussing the Private Equity portion of the Portfolio. He explained that Private Equity is an important piece of the Portfolio for two reasons. First, it helps with risk mitigation because it is not moving day-to-day like the markets. Additionally, it tends to have less volatility than the equity portion of the Portfolio. Mr. Christenson noted Private Equity is very illiquid, and the goal is to achieve better returns than what the Portfolio would receive in the stock market. He stated that the total Internal Rate of Return (“IRR”) for the Private Equity portfolio since inception is 10.24%. Mr. Christenson explained that for Private Equity, returns should be double digits and beat the public market equivalent. Here, the public market equivalent is the Long Nickels PME. Mr. Christenson stated that for every capital call dollar from one of these funds, the PME treats it as if it goes into the stock market benchmark. When a dollar comes out of the funds, the same comes out of the PME. Mr. Christenson stated that this provides a gage on what the money would have done in the stock market. In this case, there is a nice gain over the PME, 8.82% versus 10.24%. Mr. Christenson explained that this number includes older funds, which generally outperformed the PME fairly well. Mr. Christenson noted that the current funds are also doing well. Mr. Christenson further noted that typically IRRs are not calculated for funds that are less than two years old. Accordingly, the Portfolio’s newer funds do not have this information.

Mr. Christenson continued by reviewing how the Portfolio is tracking with the Policy targets. With regard to Fixed Income, the Policy target is 23%, and the current percentage as of November 30 was only 19.1%. Mr. Christenson explained the Portfolio is underweight about \$66 million. He further explained that ERS’ cash is approximately \$33 million. Accordingly, while ERS remains underweight on Fixed Income, it is only half of the underweight shown.

Mr. Christenson stated ERS is just slightly underweight, approximately .1% on U.S. Equity. He explained ERS needed cash in November, and \$10 million was taken from U.S. Equity, which was overweight at the time. Mr. Christenson then stated International Equity is underweight by about .6% or \$10 million, and Hedged Equity is in line with the target. Real Estate is underweight by .7%, which is approximately \$12 million. Mr. Christenson noted ERS is waiting to receive \$5 million from American Realty and \$8.5 million from UBS. If those funds arrived tomorrow, Real Estate would be further underweight. Mr. Christenson explained that the Investment Committee will be reviewing potential asset allocation realignment that may reduce the Real Estate target.

Mr. Christenson continued by stating that Infrastructure has been performing quite well, and ERS received \$18 million from IFM recently. Additionally, ERS requested \$10 million from JP Morgan to manage cash. Mr. Christenson

noted that Infrastructure is right on target. He explained the goal with the recent requests from Infrastructure is to manage cash because some of the traditional assets are underweight. Mr. Christenson noted that while there is some underweight, Private Equity is overweight by about \$57 million, and this asset class should be performing slightly better than the markets over time. Mr. Christenson opined that the Portfolio is relatively balanced. He noted that the Investment Committee will be reviewing in the first quarter of 2021 how the Portfolio can be improved and whether targets should be adjusted. Mr. Christenson explained the recent studies will be taken into account and be part of the discussion. He noted there are also some concerns regarding Real Estate in the long term given the potential changes that may take hold as a result of more remote working opportunities. Mr. Christenson clarified that while he believes there will be some changes, the extent of those changes are not clear. Currently, the Real Estate portion of the Portfolio has approximately 25-30% in office space, which is mostly corporate office space in major metropolitan areas. The Investment Committee will be reviewing and considering whether changes to that portion of the Portfolio makes sense. Mr. Christenson then called for questions on the Flash Report.

In response to a question from the Chair about the overweight to Private Equity and the new commitments the Board recently made, Mr. Christenson stated that these are unfunded commitments to the four managers. Mr. Christenson explained there is a little bit unfunded to the 2018 Mesirow Fund, and while the four new managers have started calling money, there are unfunded amounts for these managers too. Mr. Christenson stated that not all of these amounts will get called, and given the current environment, these amounts are going to get called slowly. He noted as the amounts get called, the Private Equity portion of the Portfolio may become further overweight, depending on how the rest of the Portfolio performs. Mr. Christenson stated that there is a lot of money in the 2009-2016 Private Equity funds, which are in their distribution phases. A potential issue may be slow distributions due to COVID-19 and shut downs. As the vaccines get rolled out and things start to reopen, distributions are likely to increase.

In response to a question from the Chair regarding Segall Bryant, Mr. Christenson stated that Segall Bryant has had a really tough time. Mr. Christenson explained that 2017 was not terrible, but 2018 and 2019 both showed poor returns. Year-to-date, Segall Bryant is negative 10.2% versus the benchmark at 5.2%. However, Mr. Christenson noted that they are up 11.8% for November, which is a large swing. He explained that this trend may continue because value seems to be coming back to life. Mr. Christenson stated that by the first quarter of 2021, the Investment Committee should have a good idea of whether Segall Bryant will be able to capitalize on this recent trend. If not, the Committee may need to look at making a change. Mr. Christenson noted that the Committee can decide whether to bring them in again or not, but they were in earlier this year. The Committee may not need to hear from them again to make a decision. Mr. Christenson explained that the Investment

Committee would want to see a significant rebound in December and early 2021. This also may tie into the asset studies, and the Committee may decide to eliminate this space altogether. Mr. Christenson stated he would like to see what kind of returns Segall Bryant will produce when normal trading resumes. It would be nice for ERS to recapture some of the underperformance of the last few years. The Vice Chair noted her agreement with Mr. Christenson's point that the Investment Committee likely does not need to bring Segall Bryant in again. She stated the Committee can review the first quarter numbers and determine whether they have been able to capitalize on the movement back towards value. The Vice Chair stated that the Committee has heard from Segall Bryant a few times now and it is unlikely their strategy has changed. The Vice Chair also noted that the Committee could consider whether the money could work in the index fund. The Chair agreed and noted that this topic should be added to the agenda for the Investment Committee meeting in early 2021. The Chair then asked Mr. Nelson for his thoughts. Mr. Nelson stated he was in agreement and noted that the Committee has been monitoring this situation closely. At the last meeting, the Committee discussed that if they made the decision to termination Segall Bryant whether the money could be parked in the index funds. Mr. Nelson explained that with the asset allocation discussions ongoing, he expects some shifting of asset classes anyways and this may be part of that discussion.

Mr. Parikh asked if Marquette could provide a summary of Segall Bryant's history with ERS, including how many times the Board and the Investment Committee has met with them. Mr. Christenson stated Marquette would prepare this summary and information.

In response to a question from Mr. Nelson, Mr. Christenson explained ERS carries a relatively large amount of cash. Historically, it ranges from \$10 million to \$40 million. Mr. Christenson stated that a manager looks at the cash balance each day and invests it. He explained that while the explanation of how the money is invested is a bit complicated, ERS is earning approximately 4.7% this year. If the Board wants to see a report, Marquette can pull a report from the cash manager. In response to a follow-up question, Mr. Christenson confirmed that Northern Trust is handling the investment of the cash.

The Chair called for any further questions, and seeing none, thanked Mr. Christenson and Mr. Caparelli for their report.

6. Actuarial, Audit, and Risk Committee Report – December 10, 2020

(a) Committee Report

The Chair asked Mr. Aniban to present his report on the December Actuarial, Audit and Risk Committee meeting. Mr. Aniban stated the meeting was a productive one, and there are a lot of action items that will be discussed with the

Board as part of subsequent agenda items. Accordingly, Mr. Aniban stated that he will discuss them as the items come up.

The Chair noted a number of these items will be discussed in closed session, but there are two items that may be discussed in open session.

(b) Fiduciary Insurance

The Chair asked Ms. Bronikowski to present this item. Ms. Bronikowski introduced Megan Rogers from Milwaukee County Risk Management. She noted Ken Anderson and Nick Schaffran from Aon were also in attendance and would assist the Board in discussing this item. Ms. Bronikowski explained that each year, the Board approves the fiduciary liability insurance purchased for the next year. Ms. Bronikowski asked Ms. Rogers to provide an overview of the insurance for 2021.

Ms. Rogers stated that the premium is decreasing from last year by approximately 1.4%, which is approximately \$2,000. She explained that while the premium is decreasing, the retention is increasing from \$150,000 to \$250,000. Ms. Rogers stated that this change is due to the market, and there is not an option that allows the Board to continue at its current \$150,000 retention amount. Ms. Rogers asked Mr. Anderson to provide some information to the Board about the markets and the structure of this year's fiduciary liability insurance.

Mr. Anderson noted he is with Aon, and he is responsible for providing the brokerage services for Milwaukee County's Risk Management. Mr. Anderson explained that the premium decrease that the Board is receiving is unique in this market place. Aon has not seen a decrease in this line of insurance in 2020, and Aon is the largest broker of this type of insurance. The decrease in the deductible is really great news. Mr. Anderson stated that last year, he discussed with the Board that Aon was effectively put on notice by AIG, the lead insurer, that they were no longer going to offer a \$150,000 retention. AIG has in fact eliminated this option for 2021. Additionally, this year, AIG also stated they would not offer the \$10 million limit but would offer a \$5 million limit. Mr. Anderson then asked Mr. Schaffran to explain how the structure is changing this year due to AIG's new limits.

Mr. Schaffran began by stating that as Mr. Anderson explained, with AIG only offering a \$5 million limit, Aon approached the market place to consider other carriers who had the capabilities to offer this insurance. Mr. Schaffran explained that fiduciary insurance for government entities is more limited as far as the carriers willing to write this type of coverage. Ultimately, Aon was able to obtain another competing quote for that very first layer of coverage. RLI provided a very competitive quote for the \$5 million initial coverage, more competitive than AIG who was the incumbent. RLI also offered some broader terms than what AIG was willing provide as well. Given AIG's history with

ERS and its relationship with ERS and Milwaukee County, AIG quoted a competitive first excess layer. Mr. Schaffran explained that by building the \$10 million initial layer with two \$5 million policies, more carriers are involved and this created an opportunity for competitive pricing.

In response to a question from the Chair, Mr. Schaffran explained that historically, RLI has been more a limited player in this space. Given the overall disruption in the market, RLI has seen this as an opportunity to grow. This space has seen increased protection levels and increased premiums, so as other carriers are pulling back, RLI is looking to grow in this space. Mr. Anderson noted that there is no change in ERS' total coverage, but instead of \$10 million increments, the coverage is in \$5 million increments. Once the initial coverage is \$5 million, the coverage increases at \$5 million increments. Therefore, last year, ERS had three insurers, and this year, it has six.

The Chair stated that this was discussed in-depth at the Audit Committee meeting, and the recommendation from the Committee was to accept the proposal from Aon. The Chair called for any questions, observations or comments. Seeing none, he asked for a motion to approve the insurance renewal for 2021.

The Pension Board unanimously voted to approve the 2021 fiduciary insurance renewal as presented by the Director of Risk Management and Aon. Motion by Mr. Aniban, seconded by Mr. Morgan.

(c) 2021 RPS Budget

The Chair asked Ms. Bronikowski to present the 2021 RPS Budget ("Budget"). Ms. Bronikowski began by noting that the Budget includes some minor changes from the version presented at the Actuarial, Audit, and Risk Committee meeting. She then reviewed the Budget with the Board.

Ms. Bronikowski started by noting that the Budget has four different sections, investment expenses and administrative expenses, which are split into two different sections, capital purchases and the expenses paid by Milwaukee County. Ms. Bronikowski explained that the capital purchases include the cost for the potential pension system upgrade. She noted the entire cost of the upgrade would not be realized in 2021. Instead, if the Board decides to proceed with the upgrade, a portion of the cost will be realized in 2022 when the upgrade is complete.

With regard to the administrative expenses, Ms. Bronikowski explained this section is split into two sections because a portion of the historical budget line items are now paid by Milwaukee County directly from the tax levy. Therefore, the administrative expenses are split into the section that RPS proposes and the Pension Board approves, and the section that the County pays for. Ms.

Bronikowski noted that the expenses paid by the County were, in prior years, part of the ERS budget so the Budget looks different this year.

Ms. Bronikowski continued by stating that RPS made some minor changes since the Actuarial, Audit, and Risk Committee meeting. First, the premium for the fiduciary liability insurance has been updated to reflect the premium discussed with the Pension Board earlier in the meeting. RPS also made some updates based on information that it received from the County on the expenses that are paid by the County.

Ms. Bronikowski then stated that there are some additional revisions to the Budget that RPS would like to make. She explained RPS was anticipating a phone system upgrade this year. The goal was to have more intelligent call routing capabilities and additional reporting options. However, the County's Information Technology department has identified issues with this software in other County departments, so the install for RPS has been moved to 2021. Ms. Bronikowski stated she is requesting that the Board include in the Budget additional funds for that software installation. Specifically, Ms. Bronikowski is asking that the Board approve an additional \$16,500 to the Office Equipment line item that will be used for that phone system upgrade. Ms. Lausier noted there is also a maintenance charge of \$878 that the County is no longer including in its budget. Ms. Lausier explained in the 2020 Budget there is a line item for Computer Hardware/Software in the amount of \$10,388, which was paid by the County. For the 2021 Budget, the County has included \$0 for that line item. Ms. Lausier is requesting that this item be included in ERS' expenses and that line item be added. With these three changes, Ms. Lausier stated the new total for the 2021 Budget is \$9,887,752.

In response to a question from the Chair, Ms. Bronikowski explained that the phone system upgrade she previously discussed is software that is installed on the employees' computers to allow the phones to be linked to the computers and calls to be routed to employees working remotely. Ms. Bronikowski explained that the initial expense of installing the phone program on the computers is a County-paid expense. RPS would like to add an additional feature to the County-wide program that would help the RPS' call center operate more efficiently. Therefore, the additional expense would be added to ERS' budget. Ms. Lausier clarified that she would like to add the \$16,500 phone system expense to the Office Equipment line item, which is line 7850, and add the maintenance fee for the system to line item 7960, Repairs & Maintenance. Ms. Lausier further stated that she would also like to add one additional item to Computer Hardware/Software, which is line item 7350 for \$10,388.

In response to follow-up questions from the Chair, Ms. Lausier explained line item 7960 would be \$1,478. This is \$600 plus the maintenance fee for the new phone system of \$878. Ms. Lausier clarified that line item 7850 would be increased from \$2,500 to the \$16,500 for the additional phone system expense, with a new total of \$19,000. Finally, Ms. Lausier stated line item 7350 is being

added to the ERS administrative expenses in the amount of \$10,388. This results in total administrative expenses of \$4,021,308 for 2021.

The Chair questioned whether the proposed changes to the phone system are separate and distinct from the County's Cisco system or whether this is in addition to that system. Ms. Bronikowski explained that over the past two years the County has replaced all the physical phones that employees use. These new phones have the ability to be linked to employees' computers to allow individuals working remotely to answer and make calls from their computers. The County is rolling out that change. In addition to the County-wide changes, Ms. Bronikowski stated RPS is hoping to add Automatic Call Distribution software ("ACD"). ACD allows RPS to implement a tiered call center system with three staff members on the frontline. In the event those employees are unavailable, ACD routes the calls to the next tier of RPS employees. ACD also allows better reporting. Ms. Bronikowski explained RPS will be able to report on the calls that come in, the calls that are dropped and call hold times. Currently, RPS only has three individuals with phones at their desks. If they are unavailable when a call comes in, it goes right to voicemail.

The Pension Board voted to approve the 2021 ERS Budget with the following modifications: line item 7850 is increased to \$19,000, line item 7960 is increased to \$1,478 and line item 7350 moves from County expenses to Administrative Expenses with a total of \$10,388. Mr. Parikh was not present for the vote. Motion by Mr. Aniban, seconded by the Vice Chair.

7. Investment Committee Report – December 7, 2020

The Chair asked Mr. Nelson to provide the Investment Committee report. Mr. Nelson stated the Committee briefly discussed Segall Bryant and potential next steps related to that investment. He stated the Committee also talked in-depth about the asset allocation study, which highlighted the investment expectations that have a negative impact on ERS' ability to meet the assumed rate of return. Mr. Nelson explained there are also opportunities to adjust the asset allocation to better take advantage of opportunities in certain areas. Overall, Mr. Nelson stated that the projected rate of return for the next 10 years will likely drop, even if ERS takes on more risk in an effort to keep it up. He noted the Committee will review whether ERS will need to adjust the assumed rate of return. As of now, it is uncertain whether that will be necessary. Mr. Nelson noted the last item the Committee discussed was the Investment Consultant RFP, which the Board will be discussing in closed session.

The Chair then provided some additional comments on the Investment Committee meeting. He stated Marquette Associates presented a variety of different scenarios in which the investment mix could change or vary based on projections. Additionally, the asset allocation study could be tweaked to increase the overall rate of return from approximately 7.1% to 7.4%, which is still below the current 7.5% assumed rate of return. The Chair explained the challenge faced by

Chairperson Nelson and the Committee will be evaluating exactly which formation potentially could be adopted in terms of changing the mix of investments and presenting this to the Board. The Chair thanked Mr. Nelson for his report.

The Chair then stated that the next items on the agenda are marked for closed session. Ms. Bronikowski noted that there is a disability application on the agenda, but the member has not yet joined the meeting. She stated RPS staff would monitor the open session meeting and advise the Pension Board if the disability applicant arrived in open session.

The Vice Chair then moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(f) with regard to agenda item 8 for the purpose of the Board considering financial or medical information related to the listed persons, which if discussed in public, would be likely to have a substantial adverse effect upon the reputation of those persons, Wisconsin Statutes section 19.85(1)(e) with regard to agenda items 9(a) through 10(b) for the purpose of the Board discussing the negotiation related to the expenditure of public moneys or involving public resources, and Wisconsin Statutes section 19.85(1)(g) with regard to agenda items 11(a) and 11(b) for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board agreed by a roll call vote of 8-0 to enter into closed session to discuss items 8 through 11. Motion by the Vice Chair, seconded by Mr. Morgan.

8. Disability Retirement

(a) S. Sobek

The Pension Board discussed this item in closed session and upon returning to open session, the Chair explained that this agenda item will be laid over to the February meeting.

9. Actuarial, Audit, and Risk Committee Closed Session Items

(a) Pension Administration System Upgrade

The Pension Board discussed this item in closed session and took no action on this item.

(b) Co-Development Contract

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

(c) Actuarial Services Contract

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

10. Investment Committee Closed Session Items

(a) Investment Consultant Contract

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

(b) Investment Consultant Request for Proposal

The Pension Board discussed this item in closed session and made a motion on this item later in the meeting.

11. Counsel Report

(a) Litigation Update

The Pension Board discussed this item in closed session and took no action on this item.

(b) 2014 Supplemental VCP Status Update

The Pension Board discussed this item in closed session and took no action on this item.

The Pension Board agreed by roll call vote 6-0 to return to open session. Ms. Best and Mr. Aniban temporarily left the meeting during closed session. Motion by Mr. Gollner, seconded by Mr. Morgan.

After returning to open session, the Pension Board made the following motions.

(a) Co-Development Contract

The Pension Board voted to extend the contract with Joxel for one year based on the proposal provided to the Board. Mr. Aniban and Ms. Best were not present for the vote. Motion by Mr. Morgan, seconded by Mr. Gollner.

(b) Actuarial Services Contract

The Pension Board voted to extend the contract with Segal for one year based on the proposed contract amendment provided to the Board. Mr. Aniban was not present for the vote. Motion by Mr. Parikh, seconded by Mr. Nelson.

(c) Investment Consultant Request for Proposal

The Pension Board voted to approve the composition of the Request for Proposal Evaluation Committee as discussed in closed session, which includes two Investment Committee members, one individual from RPS and three other external individuals. Mr. Aniban was not present for the vote. Motion by Mr. Gollner, seconded by Mr. Nelson.

(d) Investment Consultant Contract

The Pension Board voted to approve a six-month extension to its contract with Marquette Associates based on the proposed contract amendment provided to the Board. Mr. Aniban was not present for the vote. Motion by Mr. Nelson, seconded by Ms. Best.

12. RPS Reports

(a) RPS Director Report

Ms. Bronikowski began her report with an overview of the VCP corrections. She stated RPS sent out overpayment letters in early-December and are completing the underpayment calculations this week. Ms. Bronikowski noted the underpayment letters will be sent on Friday. She explained that the VCP corrections have been a major project for RPS, and the corrections will be completed by December 31, which is the deadline approved by the IRS.

Ms. Bronikowski next reviewed RPS' other projects. She stated RPS is preparing the Form 1099-Rs, which will be sent in early 2021. RPS is also preparing for the annual evaluation and the annual audit. On top of these annual projects, RPS has been working with the Payroll department on the payroll system upgrade. Ms. Bronikowski explained that the upgrade is beginning on December 27, and RPS is testing the interfaces to ensure the information coming from Payroll is accurate. RPS is also working on negotiations with Vitech for the pension system upgrade and has finalized its work with the members who were affected by the Supreme Court's ruling in the DC 48 case. Ms. Bronikowski explained that affected retirees were provided an opportunity to elect a backDROP or elect an earlier backDROP if they were eligible under the Rule of 75 as a result of the decision. RPS has notified the members who were affected. Because there is a reduction to a member's monthly benefit if the backDROP increases, the notifications provided the retirees with information regarding the reductions in their monthly benefits if they increase their backDROPS. Retirees then elected to remain with their higher monthly benefit or take a larger backDROP with a reduced monthly benefit. Ms. Bronikowski stated those elections are being processed this month, and the retroactive payments will be sent at the end of this month.

Ms. Bronikowski next provided information on another RPS project related to the DC 48 members. She explained there were some members who were furloughed in 2009-2011, and they ultimately received service credit for that

furloughed time. RPS had to recalculate the affected members' benefits. Additionally, some of these members were affected by one or more VCP errors. Ms. Bronikowski explained these members' benefits are now fully adjusted for the furlough time and any applicable VCP error. Ms. Bronikowski noted this process has been ongoing for years, and RPS is happy to have completed it.

Ms. Bronikowski continued by stating that RPS is looking forward to 2021, which will hopefully allow staff members to be back in the office. She stated while the staff has been successful in figuring out how to work remotely, things run a bit more smoothly when the staff is in the office. Ms. Bronikowski stated the staff is doing well, and RPS has been allowed to hire some additional analysts. RPS just recently hired one individual who will be starting at the end of the year, and RPS will be making an offer to another individual this week. Ms. Bronikowski explained that with those two new hires, RPS has four analysts, which is the standard number RPS has historically had. They had previously been working with only two analysts, who have been doing a great job, but have been back-logged. Ms. Bronikowski stated she is hoping to onboard the two new staff members in January so they can be up-to-speed by February in time for some of the other big projects like the annual statement mailing in April.

Ms. Bronikowski next discussed the Pension Board employee member election, which is scheduled to take place in February. RPS has received some interest from employees requesting information about the position and the election. Ms. Bronikowski explained the election process begins with employees notifying RPS that they would like to be considered for the election. They then need to collect 100 signatures from other employees. If more than one candidate has returned the applicable paper work and collected the required signatures, RPS will hold an election. Ms. Bronikowski stated the due date for the signatures is January 4, and the two individuals who expressed an interest have begun to collect signatures.

Ms. Bronikowski concluded by reviewing the roll out of the Board Skills Matrix. She explained that as was discussed at Governance Committee, RPS is finalizing the Skills Matrix and will be sending it out this month. Ms. Bronikowski noted that RPS staff is testing the survey tool to ensure it is user friendly and the results will be populated as expected. She stated the Trustees should expect an email early next week with the survey information. Ms. Bronikowski then called for questions.

The Chair thanked Ms. Bronikowski and her staff for all the work they have been doing and the responsiveness to retiree questions. He acknowledged that these projects Ms. Bronikowski described have generated a lot of work, and RPS has really responded well. The Chair noted he has received positive feedback from ERS members whose questions and information requests have been timely addressed. He wanted to pass along these comments and appreciation for the RPS staff.

Mr. Gollner questioned whether, with the pandemic this year, it would be easier for candidates to collect signatures electronically through DocuSign than in person. He noted he sees advantages and disadvantages to each approach, but especially around the holidays, a lot of people are out of the office. Mr. Gollner explained that he found it difficult to collect 100 signatures, and he has access to a lot of employees. He stated he will be interested to see how electronic signature collection goes for the candidates.

(b) Retirements Processed

The Chair asked Ms. Bronikowski to provide the Retirements Processed report. Ms. Bronikowski stated she provided the Board with the Retirements Processed for November. She stated ERS had six new retirements in November and explained that it is typical for ERS to see a decrease in retirements towards the end of the year and an increase starting in January. Of the six retirements, two were deferred vested members and the remaining were retirements from active service. Two of the active retirements requested backDROPs, one was under \$50,000 and one was over \$800,000. Ms. Bronikowski explained that the individual with the higher backDROP had a lot of service with the County and was eligible for some of the higher benefit accrual rates in effect in the 1980s through the early 2000s. Ms. Bronikowski then called for questions, and seeing none stated the Retirements Processed report was complete.

(c) Fiscal Reports

The Chair asked Ms. Lausier to present the Fiscal Reports. Ms. Lausier stated she provided the Board with the Portfolio Activity Report for the month of November and the Funds Approved Report. Ms. Lausier explained that the Net Plan Assets held in trust as of November 30 was \$1.68 billion. The Net Change in Plan Assets as of November 30 was an increase of \$80.8 million. Ms. Lausier noted November was a very good month with most of the asset classes showing positive returns.

Ms. Lausier stated that in November, there were sufficient funds in the general cash account due to previous month redemptions. Accordingly, there was not a need to raise funds from other investments for month-end disbursements. However, Ms. Lausier clarified that in order to have funds available for capital calls and for rebalancing purposes, ERS raised \$7 million from the Northern Trust S&P 500 Index Fund, which is U.S. Equity, and \$3 million from the Northern Trust S&P 400 Mid-Cap Fund, which is also U.S. Equity. Ms. Lausier explained that the Portfolio Activity Report does not show these transfers because they were requested late in November, and they did not transfer to the general cash account until early December.

Ms. Lausier then reviewed the capital calls and distributions. She stated ERS received two distributions in November, one for \$616,000 from Adams Street 2009 U.S. Fund and one for \$205,000 from Adams Street 2009 Non-U.S.

Emerging Fund. ERS received two capital calls in November, one for \$1.9 million from Barings Emerging Generation Fund and \$300,000 from Siguler Guff Fund III.

Ms. Lausier continued by reviewing the Funds Approved Report. She stated that at the July Pension Board meeting, \$52 million was approved for estimated fourth quarter 2020 needs. With the third quarter surplus of \$5.5 million, ERS had \$57.5 for the fourth quarter. Ms. Lausier stated \$17.5 million was required for October, \$17 million was required for November and \$16 million will be required for December, with an additional \$6 million for the VCP disbursements. Ms. Lausier explained this leaves ERS with approximately \$1 million in surplus, but she noted \$6 million is on the high end of what is needed for the VCP. She clarified she wanted to make sure to estimate on the high end so that ERS has sufficient funds available.

Mr. Aniban returned to the meeting.

(d) Funding Request for First Half of 2021

Ms. Lausier stated that she is proposing to adjust the request for funding process from quarterly requests to semi-annual requests. She explained this is in part due to the change in the Pension Board's meeting schedule.

Ms. Lausier clarified that her request for approval today is \$109 million for ERS' funding needs for the first six months of 2021. This funding request, coupled with the \$1 million estimated surplus after the end of 2020, would provide ERS with \$110 million for the first half of 2021, which is approximately \$55 million per quarter. Ms. Lausier explained that over the last four or five quarters, ERS has averaged needs of approximately \$53.5 million.

In response to a question from the Vice Chair regarding the overpayments for the VCP, Ms. Bronikowski explained the \$700,000 figure is the amount that was overpaid to retirees and which is owed back to ERS. She clarified the \$6 million is an estimate of the underpayments that need to be paid to retirees.

In response to a question from the Chair regarding the requested \$10 million redemption from JP Morgan, Ms. Lausier stated that ERS has not received this yet. She explained that it often takes 3-4 months before ERS actually receives those amounts.

Ms. Best stated that Ms. Lausier is proposing that the Board move from a quarterly to a semi-annual approval process and questioned whether this is simply a change in the process or whether this result in additional cash that is not invested. Ms. Lausier stated that this will not result in more uninvested cash. She explained that she moves money at the end of every month, and the approvals are the amounts she has available within that given timeframe. With the change in the approval schedule, Ms. Lausier will still remove money right before the end of the month, which is before disbursements, in the same manner

she did before. The difference is that she will not need to request Board approval each quarter like she did before. Instead, the amounts will be available based on the 6-month approval. Ms. Lausier explained that the Board will still receive the Funds Approved Report at each meeting, which will provide the Trustees with an idea where ERS stands.

In response to a question from the Chair, Ms. Lausier stated that she contacts Marquette when she determines she needs funds, and Marquette makes the decision where the funds should come from. Ms. Lausier explained this is usually based on rebalancing needs.

The Pension Board unanimously voted to approve the liquidation of assets to fund cash flow of \$109 million for the first half of 2021 funding. The amounts should be withdrawn from investments designated by Marquette. Motion by Ms. Best, seconded by Mr. Gollner.

The Chair asked if there were any other issues or anything to be placed on the agenda for the next meeting. He noted that Ms. Bronikowski distributed the proposed meeting dates for 2021. The Chair explained one modification to the proposed schedule will be to move Investment Committee meetings one day forward to Tuesdays. He noted a revised schedule will be circulated. Seeing no other questions or comments, the Chair thanked everyone for attending and wished everyone a blessed holiday and good New Year.

13. Adjournment

The meeting adjourned at 11:39 a.m.

Submitted by Erika Bronikowski,
Secretary of the Pension Board